

2006 STIP Follow-up Meeting Agenda
April 21, 1:00 – 2:00 pm
Statewide Video Teleconference

Purpose: To share current information relevant to the 2006 STIP development and to highlight schedule, actions, products and expectations for development of the ITIP and STIP.

Welcome & Introductions (Ross Chittenden)

2006 STIP Fund Estimate Outlook (Ross Chittenden / David Brewer – CTC)

- Two Tiered estimate.
- Funding Levels.
- STIP Funding Workshop (June).

ITIP Issues and Policies (Ross Chittenden)

- See Attached “ITIP Paper” document.
- ITIP reprogramming criteria.

Project Financial Plans (Ross Chittenden)

- FY 2005/06 Allocation Plan.
- Time to update financial plans and estimates for remaining projects.

STIP ITIP TE Programming Guidelines (Kurt Scherzinger)

- Are available.
- Transportation Programming Website.
 - <http://www.dot.ca.gov/hq/transprog/stip.htm>
- Please read.

Wrap-up (Ross Chittenden)

- Future follow-up.

Issues and Policies for the 2006 ITIP

Summary:

The 2006 ITIP will require extensive reprogramming in light of reduced funding levels.

Tier	Assumptions	Impact to STIP	ITIP Impact
1	No TIF transfers/Gaming	Loss of about \$3 Billion.	\$900 mil/ (55% of program)
2	Per statute.	Reprogram – Few adds or deletes.	Reschedule, some deletion.

Strategies and Objectives

1. Hold project delivery schedules intact to the extent possible.
2. Keep highest priority projects fully funded under Tier 1 funding.
3. Implement a contingency plan to fund construction for lower priority projects out of Tier 2.
4. Maintain consistency with the six CTC Interregional Program Objectives.
 - Complete a trunk system of higher standard State highways.
 - Connect all urbanized areas, major metropolitan centers, and gateways to the freeway and expressway system.
 - Ensure a dependable level of service for movement into and through major gateways of statewide significance.
 - Connect urbanizing centers and high growth areas to the trunk system.
 - Link rural and smaller urban centers to the trunk system.
 - Implement an intercity passenger rail program.
5. Maintain a program consistent with the vetted ITIP themes.
 - Complete the ITSP focus routes.
 - Improve goods movement.
 - Encourage rural funding partnerships.
 - Reduce congestion and promote livable communities.

2006 ITIP Programming Criteria:

Primary - Early deliverable projects that are:

- Focus Route projects gap closures and capacity additions.
- Projects with demonstrable goods movement benefits such as truck climbing lanes.
- Intercity Passenger Rail and Grade Separation projects.
- Rural partnership projects.

Secondary – IIP funded regional priority projects that are:

- Operational improvements on urban freeways with near term congestion relief benefits.
- HOV projects.
- Also funded with a local non-STIP contribution.
- Augmented by increased regional shares or local contributions to keep it on schedule.

Recommendation

- Maintain delivery of existing STIP.
- Reprogram consistent with 2006 ITIP programming criteria.
- Remove construction funding from later year high priority projects.
- Consciously remove construction funding from some projects with near term delivery.

ITIP Funding Formulas

The 25% interregional program is not constrained by county shares. However, by law, new funding to the program must comply with the following constraints:

Sixty percent (60%) of the program shall be programmed for improvements to State highways that are specified in statute as part of the interregional road system and are outside urbanized areas with over 50,000 population and for intercity rail improvements.

- Of this amount, at least 15% (9% of the interregional program) shall be programmed for intercity rail improvements, including grade separation projects.

Forty percent (40%) of the program may be programmed to transportation improvement projects to facilitate interregional movement of people and goods, including State highway, intercity passenger rail, mass transit guideways, or grade separation projects. These projects may be in either urbanized or non-urbanized areas.

- Of this amount, 40% (16% of the interregional program) must be in the 13 counties of the South.
- Of this amount, 60% (24% of the interregional program) must be in the North counties.

Discussion of Funding Impacts to the 2006 ITIP

Summary of Issue:

In anticipation of a possible negative Fund Estimate the department needs a plan and strategy to bring the ITIP into conformance with Fund Estimate programming targets. As currently under discussion, the Fund Estimate may study the following tiers of funding:

Tier 1 – Loss of about \$3 Billion of STIP funding.

Tier 2 – Sufficient funding to just fund the un-allocated remainder of the 2004 STIP.

Under the worst case scenario as outlined above, about \$900 million (about 55% of the ITIP) worth of programming may need to be removed from the ITIP.

Discussion of Funding Cutbacks and Impacts to the ITIP Program

Exempt Programming Focuses Impacts onto Smaller Part of the ITIP:

Including all components, the ITIP currently programs almost \$2.4 billion in the STIP. However, much of the support and right-of-way was programmed in prior years and is now expended. Expended funds cannot be counted as savings if removed from the STIP. Other committed programming such as GARVEE debt service and AB 3090 reimbursements, cannot be un-programmed or moved. The federally funded Transportation Enhancement (TE) program can only be used to fund TE projects, making these funds unavailable to other ITIP needs.

Of the approximate \$1.7 billion that remains eligible for deprogramming, about \$1.5 billion is for capital construction and support. *Under Tier 1, the removal of a significant amount of capital construction funding is mathematically unavoidable.*

Funds Exempt From De-Programming	Millions
Total ITIP Programming	2,400
Less: Garvee Debt Service (5-Year Period)	55
AB 3090 Reimbursement	24
AB 3090 Replacement	7
TE Programming	55
Support and RW (FY 04/05 and earlier)	559
Remainder Subject to Deprogramming	1,700

Funding Cuts are spread Across STIP by County Share Formulas:

Under statute, funding for the STIP is split into regional and ITIP shares by formula. Projects are programmed against those amounts based on other factors. Because projects are not always sized to fit within a share allotment, some regions have more dollars programmed against their share while others have less. Overall the STIP is balanced.

As of January 2005, the balance of advanced shares in the STIP is about \$581 million. Of this, the ITIP is advanced by about \$205 million. Area's with share advances will be cut first, any remaining cuts will be split by formula. Under this scenario, total impact to the ITIP could be about \$800 million.

Unaddressed Costs of Inflation Compounds Magnitude of Funding Problem:

Two divergent events since the funding crisis began combined to create a problem that should be addressed in this STIP. First, basic commodities such as concrete, steel, petroleum and real estate have experienced significant double-digit inflation. Second, due to the lack of funding in

2004, the department and CTC made a conscious decision to minimally address the effects of inflation. Fully addressing the effects of inflation in the 2004 STIP would have required the deprogramming of some projects, a move that everybody hoped to avoid.

Assuming that present programmed amounts for right of way and construction are, on average, fifteen percent low, then the current ITIP should be augmented by about \$260 million just to reflect the true cost of the existing program. Under Tier 1, fewer construction projects will remain behind, but are estimated to need about \$100 million beyond current programmed amounts to reflect costs of inflation. To fund this level in the 2006 ITIP an additional \$100 million worth of programming, on top the \$800 million identified above, should be removed from the program.

ITIP Funding Loss	Millions
Formula Share	800
Inflation Adjustment	100
Potential Cut to ITIP	900

Large Number of Support Only Projects Reduce Funding for Capital:

Some ITIP projects are fully programmed through construction, while others have funding for just the initial phases. Many ITIP projects are complex by nature, with significant environments impacts, needing a longer development horizon than the five-year STIP to implement. When programmed back in 2000 or earlier, the department had planned to fund successive project components in future STIP cycles. The 2004 ITIP carried forward about 50 partially funded projects representing over \$6 billion of future ITIP funding needs. Currently about 300 staff positions representing about \$30 - \$40 million dollars per year support this activity. Many of these projects are in rural parts of the state where little opportunity exists for a substantial local contribution and the ITIP will be the primary fund source. At past rates of funding, it could take decades to fund the current inventory through construction.

Under the Tier 1 scenario a temptation will be to remove construction and right of way capital from the current project inventory until the deprogramming targets are met. A result of this course of action will be to double the number of support only projects from approximately 35% to about 70% of ITIP, leaving fewer than 40 of the 167 ITIP projects funded through construction.